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TRANSPORTATION FOR X1, X40  
TRANSPORTATION FOR OFFICE OF INTERNATIONAL AVIATION ?  
OPPLER AND GLANTZ  
USDOC FOR ITA/OCEA/MCQUEEN  
USDOC FOR ITA DAS KASOFF  
NSC FOR TONG, SHRIER  
TREASURY FOR OASIA/ISA ? HAARSAGER, WINSHIP, CUSHMAN  
TREASURY FOR DEPUTY CHIEF OF STAFF SMITH  
TREASURY FOR AMBASSADOR HOLMER, DANIEL WRIGHT  
MONTREAL FOR USICAO

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TAGS: [FAIR](#) [ECON](#) [BEXP](#) [PGOV](#) [OVIP](#) [SECRETARY](#) [PETERS](#) [CH](#)  
SUBJECT: TRANSPORTATION SECRETARY PETERS? MEETING WITH  
MINISTER OF GENERAL ADMINISTRATION OF CIVIL AVIATION OF  
CHINA YANG YUANYUAN

11. (SBU) Summary. Secretary of Transportation Mary  
1E. Peters discussed a broad range of bilateral  
aviation issues during her meeting with General  
Administration of Civil Aviation of China (CAAC)  
Minister Yang Yuanyuan on April 13, 2007. The  
meeting included a signing ceremony for a record of  
discussion on economic regulation that will broaden  
the scope of the United States-China Aviation  
Cooperation Program (ACP) in China. End Summary.

Next Steps in Advancing Aviation Liberalization  
Talks

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12. (SBU) Secretary Peters began the meeting by  
stating that the first Strategic Economic Dialogue  
(SED) included an agreement to further liberalize  
air transport between our two countries. Two rounds  
of negotiations have been completed since the SED,  
but more progress is needed to accomplish the  
liberalization goal. Secretary Peters noted that  
there is another round of negotiations scheduled for  
the end of April. Washington hopes Beijing will  
assemble a negotiating team that is fully empowered  
to make a deal. Secretary Peters said that  
meaningful progress needs to be made this year to  
address growing criticism in the United States that  
China is dragging its feet on liberalization.

13. (SBU) Minister Yang stated that CAAC is also  
under pressure to make progress on further  
liberalization. CAAC will empower its delegation to  
negotiate accordingly. Minister Yang said that  
Beijing has several concerns that it hopes  
Washington will keep in mind during the negotiations.

First, there is an imbalance between the development of the two countries' airline industries; second, China so far lacks adequate economic regulations to permit full market liberalization of its domestic air transport industry; third, China's aviation-related infrastructure remains immature and needs further development; and finally, Beijing has safety concerns given that more than 400 foreign flights enter China daily. Minister Yang stated that Beijing recognizes that further liberalization will help to solve some of these problems, but Beijing hopes Washington will demonstrate some flexibility during the negotiations in recognition that these problems cannot be solved overnight.

Cooperation on Regulations, NGATS and Emissions Policies  
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14. (SBU) Secretary Peters thanked Minister Yang for CAAC's empowerment of its negotiators. Washington recognizes that China's aviation industry is concerned about the effects of further liberalization and that China's economic regulations are still evolving. Secretary Peters stated that Washington is willing to share its experience in deregulating the United States' aviation industry. United States-China Aviation Cooperation Program (ACP) would be a good venue to explore this cooperation. Secretary Peters stated that the use of United States Government money to fund the program demonstrates Washington's commitment to the ACP. Beijing and Washington should discuss

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expanding the ACP to cover other issues, such as economic regulation.

15. (SBU) Minister Yang stated that China looks forward to working with the United States in the development and implementation of the next generation air transportation system (NGATS). Beijing hopes to cooperate with Washington on the development of the standards and regulations that will accompany NGATS. Secretary Peters stated that NGATS is DOT's highest legislative priority in 2007. The United States and China can help each other and learn from one another as NGATS is developed and fielded. Secretary Peters noted that the United States uses technology as a means to mitigate the impact of air space limitations, such as those resulting from military restrictions of certain airspace. Washington hopes Beijing is making similar judgments as it manages China's air space.

16. (SBU) Minister Yang stated that another area of cooperation should be in aviation emissions. Washington and Beijing collaborate in the International Civil Aviation Organization (ICAO) to ensure that appropriate, responsible measures are taken on this issue. Secretary Peters stated that Washington is concerned that aviation emission proposals by the European Union (EU) if enacted would hurt aviation industry growth. Washington agrees with Beijing that the ICAO assessment is the best way forward to address the emissions issue.

Opens Skies Treaty with EU and Doing Business in China  
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17. (SBU) In response to a question from Minister Yang, Secretary Peters explained that the recent signing of an Open Skies agreement with the European Union is a great opportunity for the aviation

industry in the United States and Europe. Airlines from both sides will have much greater access to one another's markets. Secretary Peters stated an important aspect of the agreement is that it will not be enacted until March 2008. This will allow the aviation sector and respective governments to fully prepare for implementation. Secretary Peters also noted that Washington and Brussels negotiated a follow-on phase to the initial agreement that will allow for more liberalization in the future.

¶8. (SBU) Secretary Peters stated that several United States companies have expressed concerns about their business opportunities in China. Motorola would like the opportunity to bid on airport security projects; Boeing is looking to expand its aviation sales; Sabre Holdings would like to operate aviation services; and Mesa Airlines hopes that Beijing will continue to support its efforts to offer domestic airline service in China. Minister Yang stated that Beijing supports Mesa's bid to start this service, but for now, there are no slots available in Beijing. CAAC is recommending that Mesa begin its service in Xian and expand to Beijing in the future, perhaps through slots that may become available at military air fields. Minister Yang noted that Motorola and Boeing are both very famous brands in China and the Chinese Government supports the expansion of their respective businesses in China. In fact, CAAC

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wants to hold a seminar between Boeing and the Chinese aviation industry on fleet planning requirements beyond ¶2010.

#### United States Participants

¶9. (U) United States Government attendees at the Secretary's meeting on April 13 were:

SIPDIS

Secretary of Transportation Mary E. Peters

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Ambassador Clark T. Randt, Jr.  
Assistant Secretary for Aviation and International Affairs Andrew Steinberg  
Deputy Chief of Staff Simon Gros  
Assistant to the Secretary for Policy Jana Weir  
Assistant to the Secretary for Public Affairs Sarah Echols  
Special Assistant to the Secretary for Scheduling and Advance Brooke Evans  
Embassy Special Assistant to the Ambassador Michael Crain  
Embassy Economic Section Trade and Investment Policy Unit Chief Eric Madison  
Embassy Economic Officer Brian Jones (note taker)  
Embassy Economic Officer Kamal Latham  
Embassy Economic Officer Brian Klein  
Embassy Economic Officer Michael Pignatello

#### Chinese Participants

¶10. (U) Senior Chinese Government attendees included:

Minister of General Administration of Civil Aviation of China YANG Yuanyuan  
CAAC Vice Minister YANG Guoqing  
CAAC Director General of International Affairs and Cooperation LI Jiangmin

¶11. (U) Secretary Peters' delegation has cleared this report.

